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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 001072

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TAGS: [EFIN](#) [ECON](#) [PGOV](#) [IZ](#)

SUBJECT: MINFIN HAS MONEY FOR BASRA, BUT IS WAITING ON
INSTRUCTIONS

REF: A. BAGHDAD 994

[1](#)B. BAGHDAD 1052

[1](#)C. BAGHDAD 1070

Classified By: Economic Minister Counselor Charles P. Ries for reasons
1.4(b) and (d)

[1](#)1. (C) Summary: At an April 6 meeting, Minister of Finance Bayan Jabr said that the 100 million USD for humanitarian assistance and development in Basra could be funded by taking money from the Basra Provincial Government's capital budget. A line item in the upcoming 2008 supplemental budget could then be used to return 100 million USD back to the Basra Government's capital budget. Minister Jabr had, however, not yet received any direction from the Prime Minister's office authorizing him to start this process. No funds were available in the 1 billion USD "emergency fund" since this would all be used should the Council of Representatives pass a civil service pay increase. Jabr recommended that a special committee for Basra relief be set up under the Prime Minister or Deputy Prime Minister and that this committee have authorization to directly spend money on specific projects. He added that Basra should be allocated 10,000 of the 60,000 new Ministries of Interior and Defense jobs to hire local tribesmen. Iraq needs a vision outlining how the windfall from higher than expected oil revenue can be spent on rebuilding Iraq. Jabr is also interested in how to go about collecting customs revenues for the federal budget from the Kurdish areas in the north. End summary.

[1](#)2. (C) EMIN, MajGen Zamzow, and TREASATT met Minister of Finance Jabr at the Adnan Palace on April 6, to discuss Iraqi Government plans to provide humanitarian and development assistance to Basra (reftel). Jabr said that he had cancelled his upcoming trip to Washington for the Bank/Fund meetings since the country "is in a critical situation" and he needed to remain to maintain better oversight of the budget execution for funds to Basra and separate discussions of the budget supplemental.

No Instructions Yet, But the Money is Available

[1](#)3. (C) Jabr said that he has not yet received any instructions from the Prime Minister on disbursing funds to Basra; he had "only heard about it in the press." Jabr added that he would need specific instructions from the Prime Minister before he and his staff would be able to start the process of transferring the funds. When pressed by EMIN, Jabr suggested that 100 million USD promised by the Prime Minister for Basra reconstruction could initially be taken from the 500-600 million 2008 USD Basra Provincial budget. A line item in the upcoming supplemental budget could then be used to return 100 million USD to Basra's budget later this summer.

14. (C) Jabr said that the 1 billion USD "emergency fund" could not be tapped to pay for the Basra aid package since it would be fully used up should the Council of Representatives pass a civil service pay increase. The Ministry of Finance is opposed to this pay increase, he said.

The Special Committee Needs to Be Authorized
to Disburse Funds for Specific Projects

15. (C) In order to disburse the funds, Jabr suggested that either the Prime Minister or Deputy Prime Minister would need to establish a special committee that was specifically authorized to have direct signing authority to spend money and hire contractors. The order from the Prime Minister creating the committee should specify exactly how and for what the funds would be used. The goal of these funds is to provide the people of Basra with actual tangible benefits such as cleaning up the city, road repair, and planting plants. Ministry of Finance Senior Advisor Dr. Aziz noted that these would be done through temporary/seasonal jobs contracts (ref B).

16. (C) EMIN, noting that he had just met with Deputy Prime Minister Barham Salih (ref C), said he understood that Acting Minister of Justice Safa al-Safi would be sent to Basra and be in position to implement the emergency relief funds. Jabr responded that this was "good."

10,000 New Jobs for Basra

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17. (C) Jabr said that the Ministries of Interior and Defense between them have the authority to hire a total of 60,000 new employees this year (30,000 each). Jabr suggested that Basra be given 10,000 of these new positions since it made no sense to hire tribal elements temporarily. Jabr, who had previously been Minister of Interior, expressed the opinion that many of the Iraqi Police in Basra are "terrible and need to be replaced." Maj Gen Zamzow advocated that those who cannot be immediately hired participate in vocational-technical training programs.

Spending the Oil Windfall to Rebuild Iraq:
"We Need a Vision"

18. (C) EMIN suggested that the Iraqi Government consider proposing a new infrastructure building program as a way to spend the windfall caused by higher oil prices than originally anticipated in the 2008 budget. This would be a clear demonstration to the Iraqi people of how they are benefiting from their nation's patrimony. Jabr concurred with this suggestion, saying: "We need to have a vision." Aziz observed that this could be set up along the lines of a national reconstruction board that was implemented in 1964.

19. (C) Aziz also noted that none of the budget requests that the Ministry of Finance have received from the Council of Representatives are for capital or maintenance expenditures; they all center on requests for increased salaries and allowances. Funds budgeted for maintenance expenditures in the ministries budgets are often diverted to pay for salaries and bonuses, he added.

How to Collect Federal Tax from the Kurdish Regions

110. (C) Jabr opened the meeting with the question of how best to collect federal money from the Kurdish region. He was

curious as to how the U.S. federal government and state governments interacted and sought EMIN's opinion on whether or not the Iraqi Government should send employees to monitor the flow of trade at Iraq's northern borders. EMIN, noting that the question was fundamentally political in nature, suggested that the GOI wait until it had implemented its tariff system for customs duties. Given the complicated nature of a tariff system, it would be natural for the Iraqi Government to send staff to the borders at that time.

¶11. (C) Minister Jabr requested USG assistance to explain how the U.S. Federal Government collects revenue. He also requested that the USG train Iraqi officials. EMIN and TREASATT agreed that training on this issue would be helpful, though expenses for bringing trainers from the United States might need to be defrayed by the Iraqi Government.

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